

AUDIT SUMMARY

Our audit of the Virginia Commission for the Arts for the period of July 1, 1997 through December 31, 1998, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider material weaknesses; and
- no issues of noncompliance that are required to be reported under Government Auditing Standards.

April 28, 1999

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit and
Review Commission
General Assembly Building
Richmond, Virginia

AGENCY BACKGROUND AND FINANCIAL INFORMATION

The **Virginia Commission for the Arts** supports and stimulates interest in art. The Commission provides direct financial support for art activities and services to artists, art organizations, and others interested in art. The Commission's 13 members meet quarterly to review and approve the activities of the Commission. Each year, the Commission awards grants in the following categories:

- ◆ General Operating Support for Arts Organizations Grants
- ◆ Technical Assistance Grants
- ◆ Local Government Challenge Grants
- ◆ Touring Assistance Program Grants
- ◆ Artist Fellowships
- ◆ Writers in Virginia Program Grants
- ◆ Arts Curriculum Development Grants
- ◆ Artists-In-Education Residency Grants
- ◆ Community College Artist Residency
- ◆ Teacher Incentive Grants
- ◆ Arts Education Technical Assistance Grants
- ◆ Artists-In-Education Residency Program Artist Study Grants

The General Operating Support program financially assists organizations to continue, strengthen, and expand their artistic programs. During fiscal year 1998, the Commission received 179 applications requesting \$3,968,180 and granted the budgeted amount of \$2,069,200 to 164 organizations. This program represents about two-thirds of the total disbursed.

The Artist Fellowship program encourages development in the work of individual artists, supports the realization of specific artistic ideas, and recognizes the contribution professional artists make to Virginia. Each year the program supports a selected discipline in the art community. During fiscal year 1997 the program supported visual artists; in fiscal year 1998, poets and fiction writers; and in fiscal year 1999, crafts, photography, sculpture, and fiction. During fiscal year 1998, the Commission received 139 applications requesting \$687,400 and granted the budgeted amount of \$82,000 to 15 percent of the applicants.

The Commission receives funding from the General Assembly and the National Endowment for the Arts. The Commission expends approximately 80 percent of their appropriations through December by distributing a majority of their grants in July of the fiscal year.

	<u>Fiscal Year 1998</u>	<u>July 1 to December 31, 1998</u>
<u>Revenues:</u>		
General fund appropriations	\$3,181,107	\$3,812,177
Federal grants	527,722	458,651
Other income	<u>15,690</u>	<u>37,729</u>
Total revenue	<u>\$3,724,519</u>	<u>\$4,308,557</u>
<u>Expenses:</u>		
Cultural and artistic affairs	\$3,198,242	\$3,072,317
Administrative and support services	<u>518,419</u>	<u>303,263</u>
Total expenses	<u>\$3,716,661</u>	<u>\$3,375,580</u>

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the Virginia Commission for the Arts for the period of July 1, 1997 through December 31, 1998. We conducted our audit according to the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to review the adequacy of the Commission's internal control structure; test compliance with applicable laws and regulations; and evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Commission's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over revenues and cash receipts and expenses. We considered these to be the Commission's significant cycles, classes of transactions, and accounting balances.

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Commission's policies and procedures were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Commission's management is responsible for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed according to management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Audit Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving the internal control structure and its operation that we considered material weaknesses. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce

to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations found no instances of noncompliance that we are required to report herein under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at the Virginia Commission for the Arts.

AUDITOR OF PUBLIC ACCOUNTS

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